MULTIMEDIA UNIVERSITY

STUDENT IDENTIFICATION NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 3, 2015/2016

BAB2024 – MANAGEMENT ACCOUNTING FOR MANAGERS

(All sections / Groups)

3 JUNE 2016
3.00 p.m – 5.00 p.m
(2 Hours)

INSTRUCTIONS TO STUDENT

1. This Question paper consists of 4 pages with 4 Questions only.

3. Answer **ALL** questions in the Answer Booklet provided.

QUESTION 1

Uncle Sam Bakery specialises in baking custom-made cupcakes for holidays and special occasions. The bakery uses job order costing to assess the costs of its customer orders. On 1 May 2016, the bakery receives orders from Minah for a wedding high tea and Bala for a birthday party.

During May, a summary of source documents reveals the following information:

Orders	Materials Requisition Slips	Labour Time Tickets
Minah	RM2,500	RM1,300
Bala	900	650
General Use	650	400
	RM4,050	**RM2,350**

Uncle Sam applies manufacturing overhead to orders at an overhead rate of 30% of direct labour cost. Both orders were completed during the month. The orders were quoted for sales at RM8,500 for Minah and RM2,100 for Bala.

Required:

a) Prepare the journal entries to record the:

(i) materials requisition slips

(4 marks)

(ii) time tickets

(4 marks)

(iii) assignment of manufacturing overhead to orders, and

(3 marks)

(iv) completion of the orders

(4 marks)

for the month of May 2016.

b) Post the entries to Work in Process Inventory.

(6 marks)

c) Determine the gross profit from the orders for Uncle Sam Bakery.

(4 marks)

(Total 25 marks)

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QUESTION 2

Oogle Berhad manufactures high-end home appliances and sells its products through digital megamalls. For the last five years, Oogle Berhad has been charging overhead to products on the basis of machine hours. The financial manager is considering switching from its current single, plant-wide overhead rate to activity-based costing (ABC) in assigning the overhead costs to the company's products in 2017.

Production for the year 2017 is expected at 100,000 units for its best-selling product line, Seuku, and at 50,000 units for its less profitable line, Freeze. Data relevant to both product lines for the year are as follows:

Activity Costs Pools	Cost Drivers	Expected Use of Cost Drivers		Estimated Overhead Costs
		Seuku	Freeze	
Ordering and receiving	Orders	100,000	50,000	RM15,000
Machine setup	Setups	50	100	37,500
Machining	Machine hours	1,000	1,500	2,375,000
Assembly	Parts	1,200,000	800,000	3,200,000
Inspection	Inspections	550	450	300,000

Required:

a) Explain the difference between traditional costing and activity-based costing system.

(4 marks)

b) Under traditional product costing, compute the:

(i) predetermined overhead rate, and,

(3 marks)

(ii) overhead costs assigned

(2 marks)

c) Under activity-based costing (ABC), compute the:

(i) activity-based overhead rates (per cost driver), and,

(10 marks)

(ii) overhead costs assigned

(6 marks)

(Total 25 marks)

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QUESTION 3

Everlast Berhad manufactures backpacks that are sold through part-time sales agents in Parkson Melaka. The income statement for the month ending 31 May 2016 are as follow:

EVERLAST BERHAD
Income Statement
For the month ending 31 May 2016

Sales		RM13,000
Cost of Goods Sold:		
Variable	RM5,850	
Fixed	1,435	7,285
Gross Profit		**5,715**
Selling and Administrative Expenses:		
Commissions	3,900	
Fixed costs	1,710	5,610
Operating Income		**RM105**

The company is considering a new sales strategy of renting a permanent sales store for an additional fixed costs of RM18,000 per year and hiring its own full-time sales staff to replace the sales agents in June 2016. The sales staff will be paid fixed salaries of RM2,000 per month instead of commissions. Sales for June is expected to remain at RM13,000.

Required:

a) Prepare a cost-volume-profit (CVP) income statement for May 2016.

(6 marks)

b) Compute the contribution margin ratio for May 2016.

(3 marks)

c) Calculate Everlast Berhad's break-even point in Ringgit Malaysia (RM) for May 2016.

(3 marks)

d) What is the minimum required break-even point in Ringgit Malaysia (RM) if Everlast Berhad implements the proposed sales strategy in June?

(10 marks)

e) Should Everlast Berhad implement the proposed sales strategy in 2016? Why?

(3 mark)

(Total 25 marks)

Continued...

QUESTION 4

Sugar-Syurga Berhad uses flexible budget for manufacturing overhead based on direct labour hours. The company estimates 250,000 direct labour hours will be worked during 2016 in the Servicing Department.

On this basis, the budgeted manufacturing overhead costs for the year are as follows:

Fixed Overhead Costs		**Variable Overhead Costs**	
Supervision	RM150,000	Indirect materials	RM187,500
Insurance	65,040	Indirect labour	75,000
Rent	32,400	Utilities	62,500
Property Tax	18,000		
	RM265,500		RM325,000

During March 2016, 22,500 direct labour hours were worked and the following actual overhead costs were incurred:

Fixed Overhead Costs		**Variable Overhead Costs**	
Supervision	RM12,500	Indirect materials	RM16,950
Insurance	5,420	Indirect labour	6,500
Rent	2,700	Utilities	5,730
Property Tax	1,500		

Required:

a) Prepare a flexible budget report for March 2016.

(13 marks)

b) Briefly comment on the management's efficiency in controlling manufacturing overhead costs in March.

(2 marks)

c) Distinguish the THREE (3) basic types of responsibility centres in responsibility accounting.

(10 marks)

(Total 25 marks)

End of Paper.